

# Financial Details

## Financial Summary

(Dollars in Millions)

At End of Year	% Change 2004 / 2003	FY2004	FY2003	FY2002
<b>Condensed Balance Sheet Data</b>				
Fund Balance with Treasury	+ 15%	\$ 66,371	\$ 57,908	\$ 52,116
Credit Program Receivables	+ 7%	104,966	97,965	91,706
Accounts Receivable	- 15%	155	183	264
Other	- 7%	1,117	1,202	1,280
<b>Total Assets</b>	<b>+ 10%</b>	<b>\$ 172,609</b>	<b>\$ 157,258</b>	<b>\$ 145,367</b>
Treasury Debt for Loan Programs	+ 5%	\$ 96,649	\$ 92,018	\$ 89,782
Other Intragovernmental Liabilities	- 27%	6,051	8,249	6,089
Liabilities for Loan Guarantees	+ 51%	23,329	15,432	11,679
Other Liabilities	+ 6%	2,246	2,124	2,534
<b>Total Liabilities</b>	<b>+ 9%</b>	<b>128,275</b>	<b>117,823</b>	<b>110,084</b>
Unexpended Appropriations	+ 8%	47,285	43,931	39,121
Cumulative Results of Operations	- 34%	(2,951)	(4,497)	(3,838)
<b>Total Net Position</b>	<b>+ 12%</b>	<b>44,334</b>	<b>39,435</b>	<b>35,283</b>
<b>Total Liabilities and Net Position</b>	<b>+ 10%</b>	<b>\$ 172,609</b>	<b>\$ 157,258</b>	<b>\$ 145,367</b>
<b>Full-Time Equivalents</b>				
Office of Postsecondary Education	+ 1%	229.0	227.0	227.7
Office of Federal Student Aid	- 3%	1,068.0	1,095.4	1,155.5
Office of Elementary & Secondary Education	- 20%	178.0	222.2	257.2
Office of English Language Acquisition	- 3%	44.0	45.4	47.1
Office of Special Ed & Rehab Services	- 0%	355.0	356.4	362.0
Office of Vocational & Adult Education	+ 2%	118.0	116.2	118.0
Institute of Education Sciences	- 28%	171.0	238.8	294.6
Office of Innovation and Improvement	+ 46%	88.0	60.3	-
Office of Safe and Drug-Free Schools	+ 49%	49.0	32.8	-
National Assessment Governing Board	- 11%	11.0	12.4	13.0
National Institute for Literacy	+ 3%	15.0	14.5	14.7
<i>Subtotal</i>	<i>- 4%</i>	<i>2,326.0</i>	<i>2,421.4</i>	<i>2,489.8</i>
Administrative	+ 1%	1,110.0	1,104.5	1,076.5
Office for Civil Rights	- 3%	655.0	672.2	698.1
Office of Inspector General	- 5%	268.0	280.9	275.9
<b>Total</b>	<b>- 3%</b>	<b>4,359.0</b>	<b>4,479.0</b>	<b>4,540.3</b>

For the Year	% Change 2004 / 2003	FY2004	FY2003	FY2002
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**Statement of Net Cost**

Total Cost	+ 7%	\$ 70,187	\$ 65,327	\$ 55,923
Earned Revenue	+ 1%	(6,564)	(6,523)	(6,157)
<b>Total Net Cost of Operations</b>	<b>+ 8%</b>	<b>\$ 63,623</b>	<b>\$ 58,804</b>	<b>\$ 49,766</b>

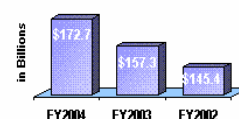
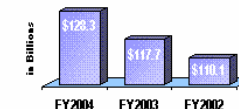
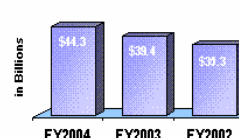
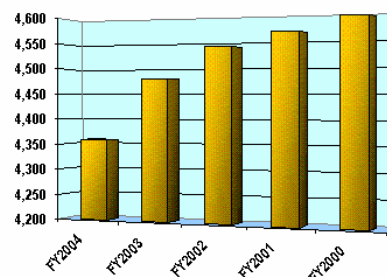
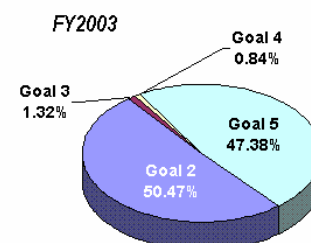
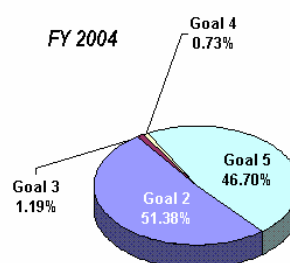
**Net Cost by Strategic Goal<sup>1</sup>**

Goal 2 Improve Student Achievement	+ 10%	\$ 32,687	\$ 29,679	N/A
Goal 3 Develop Safe Schools and Strong Character	- 3%	756	776	N/A
Goal 4 Transform Education into Evidenced-Based Field	- 5%	467	491	N/A
Goal 5 Enhance Quality of and Access to Postsecondary and Adult Education	+ 7%	29,712	27,858	N/A
	+ 8%	\$ 63,622	\$ 58,804	\$ -

**Net Cost Percentages by Strategic Goal<sup>1</sup>**

Goal 2 Improve Student Achievement	+ 2%	51.38%	50.47%	N/A
Goal 3 Develop Safe Schools and Strong Character	- 10%	1.19%	1.32%	N/A
Goal 4 Transform Education into Evidenced-Based Field	- 13%	0.73%	0.84%	N/A
Goal 5 Enhance Quality of and Access to Postsecondary and Adult Education	- 1%	46.70%	47.38%	N/A

<sup>1</sup> The Department's Strategic Goals were developed in fiscal year 2002. Net costs by Strategic Goal were not readily available at that time.

**Total Assets****Total Liabilities****Net Position****Full-Time Equivalents****Net Cost by Strategic Goal**

## FROM THE CHIEF FINANCIAL OFFICER

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The *Performance and Accountability Report* for fiscal year (FY) 2004 presents, to the Administration and the public, the status of the Department of Education's program performance and fiscal operations. This document is the principal report produced by the Department delineating our improvements and progress for this year.

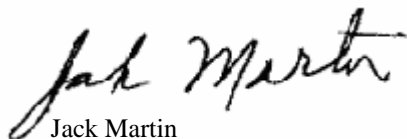
The Department recognizes the importance of public disclosure and accountability to the American taxpayer. This *Performance and Accountability Report* is a demonstration of our commitment to fulfill our fiduciary and reporting responsibilities.

I am pleased to present the U.S. Department of Education's financial statements for FY 2004 as a part of this report. For the third consecutive year, our independent public accounting firm, Ernst & Young LLP, selected by our Inspector General, issued an unqualified or "clean" opinion on the Department's consolidated financial statements. This outcome is the best possible audit result and ensures that the reader can have confidence that the financial statements fairly state the Department's financial position.

The financial statements fairly present the Department's financial position and were prepared in accordance with standards developed by the Federal Accounting Standards Advisory Board and accounting principles generally accepted in the United States. These statements are presented in the format required by the Office of Management and Budget and the Government Management Reform Act of 1994.

We continue to strive for excellence in the financial management of the Department of Education as illustrated throughout this *Performance and Accountability Report*. In FY 2004, the Department had no material weaknesses. The Department continues its efforts to correct our two reportable conditions. To address the reportable condition noted in FY 2003 by our auditors regarding Credit Reform, the Department established a working group to study, analyze, and rectify the issues. Further, steps were taken to improve the controls surrounding information systems. This important work will be completed in FY 2005.

The Department accomplished three significant achievements in FY 2004: (1) the FY 2003 *Performance and Accountability Report* won the Certificate of Excellence in Accountability Reporting Award, (2) the Department achieved "Green" status in Financial Management on the President's Management Scorecard, and (3) the Department received the Alexander Hamilton Award for our use of technology relating to treasury management. These achievements are recognition of the Department's commitment to continually strive for excellence.



Jack Martin  
Chief Financial Officer  
November 12, 2004



# Principal Financial Statements

## LIMITATIONS OF FINANCIAL STATEMENTS

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Management has prepared the accompanying financial statements to report the financial position and operational results for the U.S. Department of Education for fiscal years 2004 and 2003 pursuant to the requirements of Title 31 of the United States Code, section 3515(b).

While these statements have been prepared from the books and records of the Department in accordance with generally accepted accounting principles (GAAP) for federal entities and the formats prescribed by OMB Bulletin 01-09, *Form and Content of Agency Financial Statements*, these statements are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records.

The statements should be read with the understanding that they represent a component of the U.S. Government, a sovereign entity. One implication of this is that the liabilities presented herein cannot be liquidated without the enactment of appropriations, and ongoing operations are subject to the enactment of future appropriations.

**United States Department of Education**  
**Consolidated Balance Sheet**  
**As of September 30, 2004 and 2003**  
(Dollars in Millions)

	Fiscal Year 2004	Fiscal Year 2003
<b>Assets:</b>		
Intragovernmental:		
Fund Balance with Treasury (Note 2)	\$ 66,371	\$ 57,908
Accounts Receivable (Note 5)	3	4
Other Intragovernmental Assets	17	27
Total Intragovernmental	66,391	57,939
Cash and Other Monetary Assets (Note 3)	1,040	1,108
Accounts Receivable, Net (Note 5)	152	179
Credit Program Receivables, Net (Note 4)	104,966	97,965
General Property, Plant and Equipment, Net (Note 6)	21	28
Other Assets	39	39
Total Assets	\$ 172,609	\$ 157,258
<b>Liabilities:</b>		
Intragovernmental:		
Accounts Payable	\$ 14	\$ 14
Treasury Debt (Note 7)	96,649	92,018
Guaranty Agency Federal and Restricted Funds Due to Treasury (Note 3)	1,040	1,107
Payable to Treasury (Note 8)	4,993	7,023
Other Intragovernmental Liabilities (Note 9)	4	105
Total Intragovernmental	102,700	100,267
Accounts Payable	485	286
Accrued Grant Liability (Note 11)	1,361	1,366
Liabilities for Loan Guarantees (Note 4)	23,329	15,432
Federal Employee and Veterans' Benefits (Note 10)	19	22
Other Liabilities (Note 9)	381	450
Total Liabilities (Note 10)	\$ 128,275	\$ 117,823
Commitments and Contingencies (Note 18)		
<b>Net Position:</b>		
Unexpended Appropriations (Note 12)	\$ 47,285	\$ 43,931
Cumulative Results of Operations (Note 12)	(2,951)	(4,496)
Total Net Position	\$ 44,334	\$ 39,435
Total Liabilities and Net Position	\$ 172,609	\$ 157,258

The accompanying notes are an integral part of these statements.

**United States Department of Education**  
**Consolidated Statement of Net Cost**  
**For the Years Ended September 30, 2004 and 2003**  
(Dollars in Millions)

	Fiscal Year 2004	Fiscal Year 2003
<b>Program Costs</b>		
<b>Program A (Enhancement of Postsecondary and Adult Education)</b>		
Intragovernmental Gross Costs	\$ 6,376	\$ 6,627
Less: Intragovernmental Earned Revenue	1,627	1,535
<i>Intragovernmental Net Costs</i>	4,749	5,092
Gross Costs with the Public	28,167	26,060
Less: Earned Revenues from the Public	4,812	4,972
<i>Net Costs with the Public</i>	23,355	21,088
<b>Program A Total Net Cost</b>	<b>\$ 28,104</b>	<b>\$ 26,180</b>
<b>Program B (Creation of Student Achievement, Culture of Achievement and Safe Schools)</b>		
Intragovernmental Gross Costs	\$ 174	\$ 152
Less: Intragovernmental Earned Revenue	103	8
<i>Intragovernmental Net Costs</i>	71	144
Gross Costs with the Public	21,933	20,128
Less: Earned Revenues from the Public	21,933	20,128
<i>Net Costs with the Public</i>	21,933	20,128
<b>Program B Total Net Cost</b>	<b>\$ 22,004</b>	<b>\$ 20,272</b>
<b>Program C (Transformation of Education)</b>		
Intragovernmental Gross Costs	\$ 77	\$ 31
Less: Intragovernmental Earned Revenue	4	6
<i>Intragovernmental Net Costs</i>	73	25
Gross Costs with the Public	578	632
Less: Earned Revenues from the Public	14	632
<i>Net Costs with the Public</i>	564	632
<b>Program C Total Net Cost</b>	<b>\$ 637</b>	<b>\$ 657</b>
<b>Program D (Special Education and Program Execution)</b>		
Intragovernmental Gross Costs	\$ 34	\$ 19
Less: Intragovernmental Earned Revenue	4	2
<i>Intragovernmental Net Costs</i>	30	17
Gross Costs with the Public	12,848	11,678
Less: Earned Revenues from the Public	12,848	11,678
<i>Net Costs with the Public</i>	12,848	11,678
<b>Program D Total Net Cost</b>	<b>\$ 12,878</b>	<b>\$ 11,695</b>
<b>Total Program Net Costs</b>	<b>\$ 63,623</b>	<b>\$ 58,804</b>
<b>Net Cost of Operations (Note 17)</b>	<b>\$ 63,623</b>	<b>\$ 58,804</b>

The accompanying notes are an integral part of these statements.

**United States Department of Education**  
**Consolidated Statement of Changes in Net Position**  
**For the Years Ended September 30, 2004 and 2003**  
(Dollars in Millions)

	Fiscal Year 2004		Fiscal Year 2003	
	Cumulative Results	Unexpended Appropriations	Cumulative Results	Unexpended Appropriations
Beginning Balance	\$ (4,496)	\$ 43,931	\$ (3,838)	\$ 39,121
Prior Period Adjustments				28
Beginning Balance, As Adjusted	(4,496)	43,931	(3,838)	39,149
Budgetary Financing Sources				
Appropriations Received		72,091		67,792
Appropriations Transferred - In/Out (+/-)				
Other Adjustments (+/-)		(981)		(1,049)
Appropriations Used	67,756	(67,756)	61,961	(61,961)
Nonexpenditure Financing Sources - Transfers-Out	(4)		(4)	
Other Financing Sources				
Imputed Financing	32		30	
Adjustments to Financing Sources (+/-)	(2,616)		(3,841)	
Total Financing Sources	\$ 65,168	\$ 3,354	\$ 58,146	\$ 4,782
Net Cost of Operations (+/-)	\$ (63,623)		\$ (58,804)	
Ending Balances (Note 12)	\$ (2,951)	\$ 47,285	\$ (4,496)	\$ 43,931

The accompanying notes are an integral part of these statements.

**United States Department of Education**  
**Combined Statement of Budgetary Resources**  
**For the Years Ended September 30, 2004 and 2003**  
(Dollars in Millions)

	Fiscal Year 2004		Fiscal Year 2003	
	Budgetary	Non-Budgetary Credit Reform Financing Accounts	Budgetary	Non-Budgetary Credit Reform Financing Accounts
<b>Budgetary Resources:</b>				
Budget Authority:				
Appropriations Received	\$ 72,090	\$ 1	\$ 67,776	\$ 16
Borrowing Authority		22,483		21,766
Net Transfers				
Other				
Unobligated Balance:				
Beginning of Period	5,329	9,766	4,682	7,805
Spending Authority From Offsetting Collections:				
Earned				
Collected	5,250	37,716	5,387	32,978
Receivable From Federal Sources		4	(70)	
Change in Unfilled Customer Orders				
Advance received (collected)	(34)		55	
Without advance from Federal sources	(5)		76	
Subtotal	\$ 5,211	\$ 37,720	\$ 5,448	\$ 32,978
Recoveries of Prior Year Obligations	1,587	3,047	1,277	269
Permanently Not Available	(6,575)	(18,893)	(6,225)	(17,471)
<b>Total Budgetary Resources (Note 14)</b>	<b>\$ 77,642</b>	<b>\$ 54,124</b>	<b>\$ 72,958</b>	<b>\$ 45,363</b>
<b>Status of Budgetary Resources:</b>				
Obligations Incurred: (Note 14)				
Direct	\$ 75,306	\$ 38,996	\$ 67,549	\$ 35,597
Reimbursable	91		82	
Subtotal	\$ 75,397	\$ 38,996	\$ 67,631	\$ 35,597
Unobligated Balance:				
Apportioned	655	948	2,981	396
Unobligated Balance Not Available	1,590	14,180	2,346	9,370
<b>Total Status of Budgetary Resources</b>	<b>\$ 77,642</b>	<b>\$ 54,124</b>	<b>\$ 72,958</b>	<b>\$ 45,363</b>
<b>Relationship of Obligations to Outlays:</b>				
Obligated Balance, Net, Beginning of Period	\$ 42,419	\$ 8,399	\$ 38,961	\$ 6,812
Obligated Balance, Net, End of Period:				
Accounts Receivable	(3)	(2)	(3)	
Unfilled customer orders from Federal Sources	(71)		(76)	
Undelivered Orders	46,468	7,666	40,744	8,382
Accounts Payable	1,753	124	1,755	16
Outlays:				
Disbursements	68,087	36,557	62,890	33,741
Collections	(5,217)	(37,716)	(5,443)	(32,978)
Subtotal	\$ 62,870	\$ (1,159)	\$ 57,447	\$ 763
Less: Offsetting Receipts	51		44	
<b>Net Outlays (Note 14)</b>	<b>\$ 62,819</b>	<b>\$ (1,159)</b>	<b>\$ 57,403</b>	<b>\$ 763</b>

The accompanying notes are an integral part of these statements.

**United States Department of Education**  
**Consolidated Statement of Financing**  
**For the Years Ended September 30, 2004 and 2003**  
(Dollars in Millions)

	Fiscal Year 2004	Fiscal Year 2003
<b>Resources Used to Finance Activities</b>		
<b>Budgetary Resources Obligated</b>		
Obligations Incurred (Note 14)	\$ (114,393)	\$ (103,228)
Less: Spending Authority from Offsetting Collections & Recoveries	47,565	39,972
Obligations Net of Offsetting Collections and Recoveries	(66,828)	(63,256)
Less: Offsetting Receipts	(51)	(44)
Net Obligations	\$ (66,879)	\$ (63,300)
<b>Other Resources</b>		
Transfers In/Out Without Reimbursement (+/-)		
Imputed Financing From Costs Absorbed by Others	(32)	(30)
Net Other Resources Used to Finance Activities	(32)	(30)
<b>Total Resources Used to Finance Activities</b>	\$ (66,911)	\$ (63,330)
<b>Resources Used to Finance Items Not Part of Net Cost of Operations</b>		
Change in Budgetary Resources Obligated for Goods, Services and Benefits Ordered but not Yet Provided (+/-)	\$ (4,809)	\$ (5,251)
Resources that Fund Expenses Recognized in Prior Period (Note 15)	213	(1,258)
Credit Program Collections Which Increase/Decrease Liabilities for Loan Guarantees, or Credit Program Receivables, Net including Allowances for Subsidy	35,339	31,786
Other		(72)
Resources Used to Finance the Acquisition of Fixed Assets, or Increase/Decrease Liabilities for Loan Guarantees or Credit Program Receivables, Net in the Current or Prior Period	(31,145)	(28,065)
<b>Total Resources Used to Finance Items Not Part of the Net Cost of Operations</b>	\$ (402)	\$ (2,860)
<b>Total Resources Used to Finance the Net Cost of Operations</b>	\$ (66,509)	\$ (60,470)
<b>Components of the Net Cost of Operations that Will Not Require or Generate Resources in the Current Period</b>		
Components Requiring or Generating Resources in Future Periods		
Increase in Annual Leave Liability	\$ (30)	\$ (26)
Upward/Downward Reestimates of Credit Subsidy Expense	(1,559)	(1,318)
Increase in Exchange Revenue Receivable from the Public	1,070	1,088
Other (+/-)	41	(11)
Total Components of the Net Cost of Operations that Will Require or Generate Resources in Future Periods	\$ (478)	\$ (267)
Components Not Requiring or Generating Resources		
Depreciation and Amortization	\$ 1,797	\$ 1,933
Other (+/-) (Note 15)	1,567	
Total Components of the Net Cost of Operations that Will Not Require or Generate Resources	\$ 3,364	\$ 1,933
<b>Total Components of the Net Cost of Operations that Will Not Require or Generate Resources in the Current Period</b>	\$ 2,886	\$ 1,666
<b>Net Cost of Operations (Note 17)</b>	\$ (63,623)	\$ (58,804)

The accompanying notes are an integral part of these statements.